SERVICE QUALITY AND CUSTOMER SATISFACTION: A COMPARISON BETWEEN PUBLIC AND PRIVATE SECTOR BANKS IN KERALA

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Abstract: The main aim of this paper is to compare the quality of service, from the perspective customers, between public and private sector banks in Kerala. SERVQUAL model introduced by Parashuranman et.al in 1988 has been used to measure service quality. This study is of an analytical nature based on the primary data collected from customers of public and private sector banks in Kerala. A atandardized questionnaire has been used to collect primary data. The questionnaire has been personally managed on a sample size of 150(77 from public sector and 73 from private sector), chosen on a random basis from banks in Kerala. The results of this study indicated that there is no significant difference between public sector and private sector bank in service quality dimensions and level of customer satisfaction.

Keywords: **Service quality, customer satisfaction, public sector bank, private sector bank**

I.   Introduction

Liberalization, Privatization and Globalization (LPG) revolution has exposed the service industry to the challenges of competition, service quality, cost and competitive environment and which has brought about a reversal in consumer habits for banking service. The quality of service will be the dominant primary factor in ensuring the survival of service provider in the Indian banking sector. All over the world, service providers in the banking industry provide homogeneous and similar products and services to customers. The prime way to convince customers to use bank products and services is having high quality in services. In India, all banks in the banking industry follow good system to maintain better quality in service for creating satisfied customers. It will lead to customer retention and loyalty.

Banking is a major part of the service sector in India. Quality management and quality improvement are mandatory for success of the banking sector and for our economy. Components of Quality may be visualized as Product Quality, Process Quality and Human Resource Quality. For this study, this Service quality is measured on the basis of a modified version of SERVQUAL as proposed by (Parasuraman & Berry.L, 1988), which involves five dimensions of service quality, namely Tangibility, Reliability, Responsiveness, Assurance, and Empathy. The aim of this study is to measure the service quality based on SERVQUAL model and customer satisfaction of both public sector and private sector banks and compare the statistics.

I.   Statement of the Problem

Economic reform has opened Indian banking sector to private and foreign players. It gives rise to cut throat competition. In such a situation organizations have to adopt Quality service strategies able to cope with changes and survival of fittest. It is the prime way to convince customers to use bank products and services and ensure customer satisfaction. This study was conducted to compare the service quality and customer satisfaction in public and private sector banks in Kerala.

II.   Objective of the study

1.   To compare the level of service quality dimensions of commercial public sector banks and private sector banks in Kerala.

i.   To compare the level of tangibility dimension of service quality of commercial public sector banks and private sector banks in Kerala.

ii.   To compare the level of reliability dimension of service quality of commercial public sector banks and private sector banks in Kerala

iii.   To compare the level of responsiveness dimension of service quality of commercial public sectors bank and private sector banks in Kerala

iv. To compare the level of assurance dimension of service quality of commercial public sector banks and private sector banks in Kerala

v. To compare the level of empathy dimension of service quality of commercial public sector banks and private sector banks in Kerala

2. To examine the satisfaction level of customers of commercial public sector banks and private sector banks in Kerala.

III. Operational Definition

A. Service quality

Service has been defined as "a social act that occurs directly between the consumer and representatives of the service corporation". Quality is a complex phenomenon based on perceptions by individuals with different perspectives on products and services. These perceptions have been built up through the past experience of individuals and consumption in various contexts. (Kotler, 2003), in his book "Marketing Management" defined service as 'any behavior or act based on a contact between two parties: the provider and the receiver, and the essence of this reciprocal process in intangible. (Oakland, 2001) Defined quality of a banking service as the degree to which it meets the requirements of the customer

B. Customer Satisfaction

Customer satisfaction is the extent to which a product's perceived performance matches a buyer's expectations: if the products performance matches or exceeds expectations the buyer is satisfied; if performance falls short of expectations the buyer is dissatisfied. Kolter and Armstrong (1999) defended the customer satisfaction as the customer's perception that compare their pre-purchase expectations with post purchase perception.

C. Commercial Bank

Commercial banks are those banks which carry out the normal business of banking such as accepting deposits, giving out loans and other banking services.

D. Commercial Public Sector Banks

At present, there are 27 Public Sector Banks in India including SBI and 19 nationalized banks. Further, there are two banks which have been categorized by RBI as "Other Public Sector Banks". IDBI and Bhartiya Mahila Bank come under this category.

E. Commercial Private Sector Banks

In private sector banks, most of the capital is in private hands. There are two types of private sector banks in India viz. Old Private Sector Banks and New Private Sector Banks

New Private Sector Banks: Private bank which were permitted to start in mid 90"s after introducing prudential norms for the banking system in 1993.Introduction of LPG in1991 has made dramatic changes in the functioning of new private sector banks. New prudential norms, such as capital adequacy perception, identification of bad dept, provision requirement etc were enforced, and interest rates were deregulated. The private banks in India have a major role when it comes to serving the Indian people with their savings since they made the banking services more efficient and customer friendly.

IV. LITERATURE REVIEW

A. SERVICE QUALITY

Today, we are without doubt, in the midst of the quality resolution- a period of change affecting every type of business, organization and person. In general, the term 'service quality' means the mental outlook representing a long run overall judgment. It is a censorious prerequisite and decisive of competitiveness for establishing and sustaining harmonious relationships with customer. The word quality consists of those product features, which meet the needs of customers, thereby providing product satisfaction. In any competitive economy like banking sector, continuous quality improvements are essential if any organization is to stay in operation.

(Parasuraman & Berry.L, 1988) made an attempt to develop conceptual framework of service quality based on the interpretation of qualitative data from extensive explanatory research performed in four service businesses and introduced the criteria and dimensions through which service quality can be assessed: Reliability, Responsiveness, Competence, Accessibility, Courtesy, Credibility, Security, Understanding/ knowing the customer and Tangibility. Later these dimensions have been integrated into only five ones. Scholars agreed on the fact that these attributes are appropriate ones which help reveal the customers' perception and expectations. These five dimensions include: This new model is known as 'Servqual', The name consists of the two words 'Service' and 'Quality', these five dimensions include: Assurance , Empathy, Reliability, Responsiveness, and Tangibility. This model is known as 'Servqual'. The name consists of the two words 'Service' and 'Quality'.

(Mualla & Deeb, 1997) Measured Banking Service Quality provided by Jordanian Commercial Bank and argued that the Service quality as perceived by customers definitely indicates what is left of their past perception of the service quality and the extent of their satisfaction with the current performance of the service. That is, satisfaction is an intermediary factor between the past perceptions of the service quality and the present perception of it. They also reveals that customers can assess the actual service quality provided to them. Hence, the customer's satisfaction with the actual performance level of service has a further affect on the formation of the customers' perceptions and expectations of service quality.

(Chris Manolis & Lasser, 2000) through his article made an attempt to study the Service Quality Perspectives & Satisfaction in Private Banking and defined service as a set of characteristics that meet the clients' needs and desire, strengthen the connective links between the organization and them, and enrich the clients' value as well.

B. Customer satisfaction

(Sureshchandar & Rajendran C., 2002) Made attempts to throw a more light on the distinctiveness of constructs of service quality and customer satisfaction and relationship between them. The study adopts different approach by operationalizing customer

satisfaction on factors and corresponding basis as done for service quality. Primary data for the study was collected from 150 customers of public, private and foreign bank in India of random basis. The result reveals that service quality and customer satisfaction do exhibit independence and are indeed different constructs from the customer's point of view. It is also observed that service quality and customer satisfaction was closely related as can be seen from the high correlation between them.

(S.G & Srivasteva, 2010) Have attempted to examine the strength of association between service quality, customer satisfaction, customer loyalty and commitment and explore the difference in perception of these variables between public sector and private sector banks. The study reveals that there is a significant difference found between public and private banks with regard to customer satisfaction, customer loyalty and commitment and loyalty. Public sector banks should focus Assurance, Empathy, Tangibles and private sector should focus on providing reliable service.

(Hayat Muhammad Awan & Iqbal, 2011) have investigated the service quality and its relationship to customer satisfaction among the customers of conventional banks and Islamic banks by using SERVQUAL scale. Data was collected from 200 walk-in customers conveniently drawn from three major conventional banks and three Islamic banks located in urban areas of Pakistan. This study found that the relationship between multi-dimensional service quality dimensions and uni-dimensional customer satisfaction factors also validated the importance of service quality aspects for behavioral intentions (satisfaction, feelings) for customers from conventional banks and Islamic banks.

The forgoing overview of literature reveals that though various studies were done on the impact of service quality dimensions and customer satisfaction. Every investigation showed the service quality and its relationship to customer satisfaction. This research was conducted on the comparative study of commercial Banks and Private Sector Banks in Kerala focused on the aspects of service quality and customer satisfaction. It will be useful to service providers for making competitive edge in business. Hence the relevance of the study.

V.   Methodology

A.   Instrument

This study was an analytical nature based on primary. The primary data for the analysis were collected, by the researcher, from the customers' of commercial public sector banks and private sector banks in Kerala. It was collected with the help of structured questionnaires. Questionnaire measures service quality by implementing the five dimensions of the "SERVQUAL" instrument namely Tangibility, Reliability, Responsiveness, Assurance, and Empathy and customer satisfaction. Tangibility dimensions followed by 5 questions, Reliability dimensions followed by 7 questions, Responsiveness dimensions followed by 4 questions, Assurance dimensions followed by 5 questions and Empathy dimensions followed by 5 questions. The instrument used is a seven-point Likert scales, representing a range of attitudes from 1 – strongly disagree to 7 – strongly agree to measure service quality and to measure Customer satisfaction, seven-point Likert scales, representing a range of attitudes from 1 – extremely dissatisfied to 7 — extremely satisfied.

B.   Sampling

For the collection of samples survey, multistage deliberate sampling technique was used. For the purpose of the study the whole of entire Kerala is divided into three regions namely North, Central and Southern. One district from each zone is selected to represent this regions-Calicut from northern region, Ernakulum from central region and Thiruvananthapuram from southern region. The primary data is collected from a sample of 50 persons from customers of bank from each district, thus obtaining a total sample size of 150 customers; 77 from public and 73 from private bank.

C.   Research Hypotheses

In order to reveal the objectives of the study, the following hypotheses have been developed.

1.   H0.: There is no significant difference between level of satisfaction of the customers in commercial public sector banks and private sector banks in Kerala

2.   H0.: There is no significant difference between service quality dimensions of commercial public sector banks and private sector banks in Kerala.

VI.   Statistical Analysis

The collected data were presented in tables for the purpose of analysis. The primary data were analyzed with the help of computer package namely MS. Excel 2010 and SPSS 23. Statistical Inferences used are as follows:

a.   Reliability Analysis, used to measure reliability using Cronbach alpha

b.   Descriptive statistics, used to measure level of service quality and customer satisfaction

c.   T-Testing (Levene's Test for Equality of Variances and t-test for Equality of Means), used to compare the level of service quality dimensions and customer satisfaction of commercial public sector bank and private sector bank.

A.   Reliability Analysis

Reliability test is a judgment of the degree of stability and consistency between multiple measurements of a variable. Cronbach's alpha is the commonly accepted measurement technique with a generally agreed lower limit of 0.7. The following Table provides an overview of the reliability scores. As can be seen from this table, all the alpha coefficients were above the required level of 0.7.

Table I
Reliability

Scale	Number of items	Cronbach's Alpha
Tangibility	5	0.711
Reliability	7	0.747

Responsiveness	4	0.811
Assurance	5	0.855
Empathy	5	0.866
customer satisfaction	26	0.925

B. **Descriptive Analysis**

Table II
Level of Customer Satisfaction

Dimensions	N	Mean Score	Std. Deviation	Level Category
Tangibility	150	5.2200	1.05468	High
Reliability	150	5.4667	0.96005	High
Responsiveness	150	5.4067	1.07502	High
Assurance	150	5.5067	1.23564	High
Empathy	150	5.1267	1.30716	High
customer satisfaction	150	5.7533	1.25284	High
Valid N (listwise)	150			

Norms for Level of Customer Satisfaction

Level Category	Score Range
Low	1.00 –3.00
Medium	3.00–5.00
High	2.37 – 3.00

C.   **T-Test**

Level of Customer Satisfaction – Bank Type Analysis

H0: There is no significant difference between level of satisfaction of the customers in commercial public sector banks and private sector banks in Kerala

H1: There is significant difference between level of satisfaction of the customers in commercial public sector banks and private sector banks in Kerala

Table III
Level of Customer Satisfaction – Bank Type Analysis

Bank Type	N	Mean	Std. Deviation
Public sector bank	77	5.7012	1.44245
Private sector bank	73	5.8082	1.02276

	Levene's Test for Equality of Variances		t-test for Equality of Means		
	F	Sig.	T	DF	Sig. (2-tailed)
Equal variances assumed	3.109	.080	-.521	148	.0.603
Equal variances not assumed			-.526	137.239	.600

Levene's Test for Equality of Variances (Homogeneity) result shows that significant value that is 0.080 which means both groups are heterogeneous group, so t-test for equal variance assumed considered.

Here the mean value of Public sector bank was 5.7012 and that of Private sector bank was 5.8082, the difference between the two is 0.107 which is insignificant**.** Based on the result generated by SPSS, the significant value is .521 and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. Customer Satisfaction Level of public and private sector banks.

Bank Type Analysis; Service Quality Dimension

2.H0: There is no significant difference between service quality dimensions of commercial public sector banks and private sector banks in Kerala.

2.H1: There is significant difference between service quality dimensions of commercial public sector banks and private sector banks in Kerala

Table IV

Group Statistics					
	BANK	N	Mean	Std. Deviation	Std. Error Mean
Tangibility	Public sector bank	77	5.2857	1.07431	.12243
	Private sector bank	73	5.1507	1.03644	.12131
Reliability	Public sector bank	77	5.4935	.95454	.10878
	Private sector bank	73	5.4384	.97163	.11372
Responsiveness	Public sector bank	77	5.5065	1.03394	.11783
	Private sector bank	73	5.3014	1.11411	.13040
Assurance	Public sector bank	77	5.5195	1.20972	.13786
	Private sector bank	73	5.4932	1.27064	.14872
Empathy	Public sector bank	77	5.1169	1.31763	.15016
	Private sector bank	73	5.1370	1.30507	.15275

Independent Samples Test		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
Tangibility	Equal variances assumed	.064	.801	.783	148	.435
	Equal variances not assumed			.783	147.953	.435
Reliability	Equal variances assumed	.100	.752	.351	148	.726
	Equal variances not assumed			.350	147.248	.727
Responsiveness	Equal variances assumed	1.148	.286	1.169	148	.244
	Equal variances not assumed			1.167	145.611	.245
Assurance	Equal variances assumed	.167	.683	.130	148	.897
	Equal variances not assumed			.130	146.455	.897
Empathy	Equal variances assumed	.010	.921	-.094	148	.925
	Equal variances not assumed			-.094	147.712	.925

Levene's Test for Equality of Variances (Homogeneity) all dimensions of service quality result shows that significant value greater than 0.05 which means both groups are heterogeneous group, so t-test for equal variance assumed considered.

In **Tangibility dimension**, here the mean value of Public sector banks was 5.2857 and that of Private sector banks was 5.1507, the difference between the two is 0.1287 which is insignificant**.** Based on the result generated by SPSS, the significant value is 0.435and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. Tangibility dimension of service quality in public and private sector banks

In **Reliability dimension**, here the mean value of Public sector banks was 5.4935 and that of Private sector banks was 5.4384, the difference between the two is 0.0551 which is insignificant**.** Based on the result generated by SPSS, the significant value is 0.726and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. Reliability dimension of service quality in public and private sector banks.

In **responsiveness dimension**, here the mean value of Public sector banks was 5.5065 and that of Private sector banks was 5.3014, the difference between the two is 0.2051 which is insignificant**.** Based on the result generated by SPSS, the significant value is 0.244 and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. responsiveness dimension of service quality in public and private sector banks

In **assurance dimension**, here the mean value of Public sector banks was 5.5195 and that of Private sector banks was 5.4932, the difference between the two is 0.0263 which is insignificant**.** Based on the result generated by SPSS, the significant value is 0.897 and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. assurance dimension of service quality in public and private sector banks

In **empathy dimension**, here the mean value of Public sector banks was 5.1169 and that of Private sector banks was 5.1370, the difference between the two is 0.0201 which is insignificant**.** Based on the result generated by SPSS, the significant value is 0.925 and it is greater than 0.05 so accept null hypothesis. Hence there is no significant difference between the two means i.e. empathy dimension of service quality in public and private sector banks.

VII.   Conclusion

This study examined the perceived service quality of bank customers of public and private sector banks in Kerala and compare a level of customer satisfaction and quality dimensions using the SERVQUAL model. SERVQUAL appears to be a reliable scale to measure banking service quality. The study result indicates the high level of service quality in all dimensions (more than 5) . It also reveals that, there is no significant difference in level of service quality and customer satisfaction between public sector and private sector banks in Kerala

The finding will be useful to service providers for making competitive edge in banking business. It enables us to have an understanding of service quality perceptions of banking customers and leads how to improve the level of customer satisfaction with respect to reliability, responsiveness, assurance, empathy and tangibility aspects. Certainly some limitations must be mentioned. The primary limitation of this study is the size and scope of its sample.

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